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**FISCAL IMPACT STATEMENT**

**LS 6304**

**BILL NUMBER: SB 21**

**NOTE PREPARED:** Jan 22, 2008

**BILL AMENDED:** Jan 10, 2008

**SUBJECT:** Additional 2007 Homestead Credit.

**FIRST AUTHOR:** Sen. Young R Michael

**FIRST SPONSOR:**

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) *Rebates Credited on Tax Bills:* This bill provides that in a county that, after December 31, 2007: (1) issues bills or revised bills for property taxes first due and payable in 2007; or (2) issues a reconciling statement for property taxes first due and payable in 2007; the county council may adopt a resolution authorizing the county auditor and the county treasurer to apply the additional 2007 homestead credit as a credit against property tax liability or as a refund.

*Rebate Calculation:* The bill provides that in a county: (1) that, after December 31, 2007, issues bills or revised bills for property taxes first due and payable in 2007 or issues a reconciling statement for property taxes first due and payable in 2007; and (2) in which the percentage increase in property taxes billed exceeds 30% for more than one-half of the homesteads in the county; the amount of the additional 2007 homestead credit for a taxpayer is equal to the greater of the amount required to reduce the percentage increase in taxes billed to 35% or the amount required to provide a 20% reduction in the increase in taxes billed. It provides that in such a county, a taxpayer is eligible to receive the additional 2007 homestead credit if the percentage increase in taxes billed to the taxpayer is at least 10%. The bill provides that in calculating eligibility for and the amount of the additional 2007 homestead credit under these provisions, any increase in taxes billed that results from the new construction of a homestead on the taxpayer's property is excluded.

*Installment Payments:* This bill provides that a county council may adopt an ordinance to allow a taxpayer to make installment payments of taxes due under a reconciling statement. It requires the ordinance to specify: (1) the reconciling statement to which the ordinance applies; and (2) the installment due dates for taxpayers that choose to make installment payments. The bill also specifies penalties for unpaid installments.

**Effective Date:** Upon passage.

## **Explanation of State Expenditures:**

## **Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Rebates Credited on Tax Bills:* Under current law, homestead owners will share \$300 M in additional homestead credits, based on their 2007 property tax bills. These credits will be paid to homeowners in the form of a rebate. The rebates must first be applied to any delinquent property taxes owed by the taxpayer in the county. A written explanation of the rebate must be sent to the property owner.

In a county that issues tax statements, revised tax statements, or reconciling tax statements after December 31, 2007, for taxes otherwise payable in 2007, this bill would permit the county fiscal body to resolve to apply the additional credits on the tax bill rather than sending a rebate. If the additional credit exceeds the remaining tax due for 2007, the county auditor and county treasurer would be able to either apply the remaining credit to 2008 tax bills or issue a refund.

If the county opts to apply the credit against 2007 tax bills rather than issue rebate checks, the county would save the expense of (1) issuing the checks and (2) sending the written explanation to property owners.

(Revised) *Rebate Calculation:* Under current law, taxpayers who owned homesteads in 2007 and had a tax due on the homestead will receive a homestead rebate. Rebates for all taxpayers in a taxing district are calculated at the same rebate rate. The amount of each taxpayer's rebate will be slightly higher than the state homestead that was applied to the 2007 tax bill. Differences between the rebate rates by taxing district are in synch with the differences in the homestead credit rates. These differences are the result of the varying degrees with which the levies in a district qualify for PTRC and homestead credits under current law.

This bill would change the distribution method for the property tax rebate in counties:

- A. That issue bills or reconciling statements for Pay 2007 property tax after December 31, 2007; and
- B. In which more than half of the homesteads had more than a 30% tax increase from 2006 to 2007.

In affected counties under the bill, homesteads would qualify for a rebate only if the net tax bill increased by more than 10% from 2006 to 2007. If the parcel or homestead did not exist for taxes paid in 2006, if a homestead's taxes went down, or if the increase did not exceed 10%, there would be no rebate.

The proposed rebate in the affected counties would equal the greater of :

- 1. The amount needed to reduce the increase to 35%; OR
- 2. 20% of the increase amount. (Rebate #2 may not reduce the tax increase below 10%).

The rebates would be calculated based on each individual homestead's tax increase from 2006 to 2007, rather than the total taxes paid on the homestead.

According to the Department of Local Government Finance, there are 7 counties that will have either initial billings or reconciling statements in 2008 for taxes normally due in 2007. These counties include Brown, Clark, Jasper, Lake, Marion, Posey, and Shelby. Whether each of these counties will qualify for this distribution method won't be known until the final tax bills are figured for that county.

Each county's share of the \$300 M available for rebates was based on the current method and on rebate rates certified by the DLGF. If there is any rebate money in a county that remains unspent after all rebates are paid,

those amounts will be sent back to the state and will be used to augment the current state homestead credit in 2008.

It is not known whether a county's total rebates under distribution method in the bill would be more than, less than, or the same as, the total rebate amounts already distributed to the counties.

**Explanation of Local Revenues:** (Revised) *Installment Payments:* Under this proposal, a county that issues reconciling statements could permit taxpayers to make installment payments of taxes due on the statement. The county could specify the installment period. The county and the taxing units within the county would lose interest earnings on the payments that are received later under the program. The impact depends on local action.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County auditors; County treasurers.

**Information Sources:**

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